No. 89-861

IN THE

Supreme Court of the United States

OCTOBER TERM, 1989

TAMAO MORITA AND MAGLEADER CO., LTD.,
Petitioners,

v.

APPLICATION ART LABORATORIES CO., LTD.,
Respondent.

SUPPLEMENTAL BRIEF IN REPLY TO OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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Petitioners, Tamao Morita and Magleader Co., Ltd., submit this supplemental brief pursuant to this court's Rule 15.7.

In its opposition, respondent, Application Art Laboratories Co., Ltd., urges that this court need not consider the errors below because the opinion of the Federal Circuit in this matter was unpublished and, therefore, not citable as precedent. Although the Federal Circuit did not designate the opinion as one for publication in *West's Federal Reporter, Second Series*, the opinion has been published in a recent advance sheet of the *United States Patent Quarterly, Second Series*, a service of the Bureau of National Affairs, Inc. (BNA) available to all patent practitioners. A

copy of the Federal Circuit's decision as reported in this BNA service is set forth in the appendix to the supplemental brief.

Petitioners submit that the opinion below will receive widespread attention among patent practitioners and, therefore, requires this court's attention and review. In petitioners' view, this court should exercise supervision over the Federal Circuit's failure to follow established judicial practice in this case and should act to prevent a conflict from developing among the various federal courts of appeals on the issue decided below. Sup. Ct. R. 17.1.(a).

Respectfully submitted,

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APPENDIX

APPENDIX

THE UNITED STATES PATENTS QUARTERLY
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Preliminary Injunctions: Federal district court did not abuse its discretion by refusing to dissolve preliminary injunction even though it found "remote chance" that newly raised fraud defense would provide sufficient grounds to warrant new trial (Application Art Laboratories Co. Ltd. v. Morita, CA FC (unpub), 7/28/89, p. 1254).

Court of Appeals, Federal Circuit

Nos. 89-1270, 89-1293

Decided July 28, 1989
(Unpublished)

Application Art Laboratories Co. Ltd.

v.

Morita

JUDICIAL PRACTICE AND PROCEDURE

1. Procedure—Judicial review—Standard of review—In general (§410.4607.03)

REMEDIES

Non-monetary and injunctive—Equitable relief—Preliminary injunctions—In general (§505.0707.01)

Appellate review of federal district court's denial of motion to dissolve preliminary injunction is limited to propriety of denial of that motion and does not extend to propriety of underlying injunction itself.

2. Non-monetary and injunctive—Equitable relief—Preliminary injunctions—In general (§505.0707.01)

Federal district court did not abuse its discretion by refusing to dissolve preliminary injunction, even though it found "remote chance" that newly-raised fraud defense would provide sufficient grounds to warrant new trial, since it determined that such "remote chance" did not warrant distrubing its earlier finding as to likelihood of success.

Appeal from the U.S. District Court for the District of Columbia.

Action by Application Art Laboratories Co. Ltd. against Tamao Morita and Magleader Co. Ltd., consolidated with action brought by Tamao Morita and Magleader Co. Ltd. against Application Art Laboratories Co. Ltd. From federal district court's denial of motion to dissolve preliminary injunction, Morita appeals. Affirmed.

[Editor's Note: The Court of Appeals for the Federal Circuit has designated this opinion as one that "has not been prepared for publication in a printed volume because it does not add significantly to the body of law and is not of widespread leagl interest. It is a public record. It is not citable as precedent."]

Before Archer, Mayer, and Michel, circuit judges.

Michel, J.

Tamao Morita and Magleander Co., Ltd. (Morita), appeal that portion of the Order of the United States District Court for the District of Columbia in the consolidated cases *Application Art Laboratories Co. v. Morita*, Civil Action No. 84-3894 (D.D.C. Jan. 11, 1989) and *Morita v. Application Art Laboratories Co.*, Civil Action No. 85-2539 (D.D.C. Jan. 11, 1989), denying Morita's motion to dissolve the preliminary injunction entered by that court on October 7, 1988. We *affirm*.

OPINION

Generally, appellate review of a motion to dissolve a preliminary injunction is limited to the property of the denial of the motion and does not extend to the propriety of the grant of the underlying injunction. *See, e.g., Illinois v. Peters*, 871 F.2d 1336, 1339 (7th Cir. 1989); *Township of Franklin Sewerage Authority v. Middlesex County Utilities Authority*, 787 F.2d 117, 120-21 (3d Cir.), *cert. denied*, 479 U.S. 828 (1986); *Sierra On-Line, Inc. v. Phoenix Software, Inc.*, 739 F.2d 1415, 1418 n.4 (9th Cir. 1984). On such a motion, the issue before the district court is whether

the movant has shown that changed circumstances warrant discontinuation of the preliminary relief. *See, e.g., Township of Franklin Sewerage Authority*, 787 F.2d at 121. The scope of our review is limited to determining, based upon those changed circumstances, whether the district court abused its discretion in denying the motion in this case.

Before this court, Morita contends that the record before the district court did not contain sufficient evidence to support a preliminary injunction under 35 U.S.C. §283. In addition, Morita argues the preliminary injunction was improperly granted because the district court allegedly failed to comply with Federal Rules of Civil Procedure 52 and 65. Finally, Morita contends that the district court abused its discretion by requiring the posting of only a $100.00 bond. All these arguments go to the propriety of the district court's October 7 decision granting preliminary relief and, because Morita failed to timely appeal that order or show either excusable neglect or good cause for not having done so or file a timely motion for reconsideration, will not be considered by us at his time. *See* Fed.R.App.P. 4(a); *Merrell-National Laboratories, Inc. v. Zenith Laboratories, Inc.*, 579 F.2d 786, 791 (3d Cir. 1978) ("We do not believe, however, that in the general case a defendant should be allowed to use the appealability of an order denying modification of an injunction to circumvent the time bar to appeal from the underlying preliminary injunction.").

The sole assertion by Morita on appeal that may be characterized as a change circumstance is a new defense grounded upon his contention that forged documents were submitted to the United States Patent and Trademark Office during the prosecution of both United States Patent No. 4,021,891 and United states Design Patent No. 247,468. In light of this allegation, Morita, contends that the district court had no basis for a finding of likelihood of success as to validity. We are not persuaded.

The district court, during the January 11 status call, preliminary addressed Morita's fraud defense, stating:

> It seems to me that everything that you have argued here really goes to the credibility of that particular defense. And I have to confess that the credibility on the basis of what you have pointed out is somewhat dubious. Nevertheless, if it would in effect perpetrate a fraud on the court—even if it's a remote chance that there is a fraud being perpetrated on the court, I would like to have that resolved.

In the discretion of the district court, the "remote chance" of fraud provided sufficient grounds to warrant a new trial; however, that same remote chance did not compel the district court to disturb its earlier finding as to likelihood of success. After a careful review of the record, we cannot conclude the district court abused its discretion in not dissolving its preliminary injunction.